



# Fairfax County Internal Audit Office

Circuit Court  
Procurement Card Audit  
Final Report

April 2011

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# Executive Summary

We performed an audit of the procurement card program within the Circuit Court which consisted of 15 cards at the time of our review.

Our review of procurement cards revealed that internal controls were adequate. Internal control procedures were well documented, a well designed separation of duties was in place, and the Circuit Court appeared to be in compliance with internal controls outlined in the county Procedural Memorandum (PM) 12-02, *Use of the County Procurement Card*. However, we noted the following exceptions where controls needed to be strengthened:

- Controls over gift cards need to be strengthened
- Card limits were set too high for two of 15 cards

## Scope and Objectives

This audit was performed as part of our fiscal year 2011 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit population included 108 transactions worth \$41,056 that occurred during the period of January 2010 through December 2010. Our audit objectives were to determine if the department:

1. Had developed written internal procedures in accordance with PM 12-02.
2. Followed the county rules and procedures for the use of procurement cards.
3. Had adequate internal control procedures in place and that these procedures were being followed by cardholders.
4. Transactions were reasonable, in line with policy, and did not appear to be fraudulent.

## Methodology

Audit methodology included a review and analysis of internal control procedures, procurement card expenditures and related accounting records of the department. Our audit approach included an examination of procurement card expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county PM 12-02 *Use of the County Procurement Card*. Information was extracted from the procurement card management system for sampling and verification to source documentation during the audit; however, our audit did not include an independent review of the system controls. Our transaction testing did not rely on system controls; therefore, this was not a scope limitation.

# Findings, Recommendations, and Management Response

## 1. Gift Cards

We determined that gift cards purchased with the procurement card were not adequately documented, accounted for, and controlled. We found that records were not maintained to document why the gift cards were distributed, and no records existed for who received the gift cards. According to a January 25, 2008, memo from the DPSM director, the business purpose for purchasing gift cards should be properly documented. The agency should note whether it is part of an operational agency program or departmental awards program. Purchased gift cards should be controlled so they are not susceptible to theft, but rather placed under the control of specific individuals so that accountability can be established. Then when gift cards are given out, some type of log or written document should be maintained which evidences the reason the cards are being given out and identifies the recipients of the cards.

**Recommendation:** We recommend that gift cards be documented, controlled and accounted for as indicated in DPSM's January 2008 memo. We note that subsequent to our discussions about the lack of gift card controls the Circuit Court issued a revised Internal Control Procedure (ICP) which addresses the same controls included in the DPSM January 2008 memo to insure that gift cards are well documented, controlled and accounted for.

We commend the Circuit Court for being proactive and issuing formal policy on documenting, controlling and accounting for gift cards which mirrors DPSM's official guidance promulgated in January 2008. No further response is necessary for this item.

## 2. Card Limits

An analysis performed on card limitation controls for the Circuit Court's cards for the period January 2010 through December 2010 revealed that monthly spending limits were set higher than actual usage for two out of fifteen cards. The highest monthly spending totals were \$4,000 for card with a limit of \$20,000 and \$202 for a card with a limit of \$5,000.

The county has limited dispute rights for fraudulent charges until such cards are reported to the bank as lost or stolen. Setting the procurement card limits higher than necessary increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee.

**Recommendation:** We recommend the Circuit Court review procurement card usage and determine appropriate limits for each procurement card. The limits for each card should then be set accordingly, based on actual usage and needs.

We note that subsequent our discussions relative excess credit limits on two of its 15 cards, the Circuit Court program manager has initiated procedures to reduce credit limits on the two aforementioned cards and reduce the county's exposure.

We commend the Circuit Court for being proactive and reducing card limits prior to the issuance of the final audit report. No further response is necessary for this item.